

Service Corporation(SCI)

\$44.27 (As of 09/08/20)

Price Target (6-12 Months): **\$47.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/07/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: C

Momentum: B

Summary

Service Corporation's shares have rallied 11% in the past three months, almost in line with the industry. The company has been gaining on increased funerals performed due to higher deaths amid coronavirus, which along with cost management aided its performance in second-quarter 2020. Also, the company's focus on expansion of funeral homes is noteworthy. During the quarter, both earnings and revenues improved year over year and beat the consensus mark. However, preneed sales remained soft due to increased stay-at-home and social-distancing orders. Though the company expects high funeral services performed amid the pandemic, reduced funeral size due to curbs on gatherings is expected to continue weighing on average revenue per service. While the company is focused on cost-control, costs are likely to remain elevated in 2020 due to COVID-19.

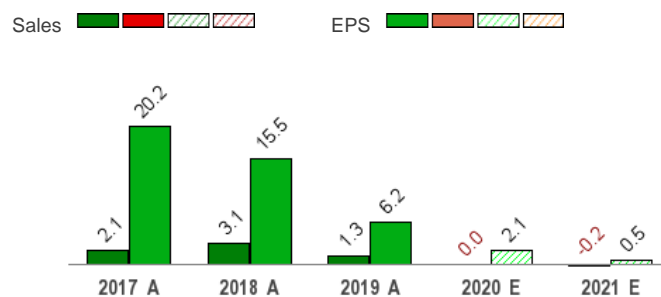
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$52.89 - \$33.93
20-Day Average Volume (Shares)	703,051
Market Cap	\$7.8 B
Year-To-Date Price Change	-3.8%
Beta	0.76
Dividend / Dividend Yield	\$0.76 / 1.7%
Industry	Funeral Services
Zacks Industry Rank	Top 8% (20 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	141.7%
Last Sales Surprise	15.5%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	11/04/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	810 E	830 E	786 E	864 E	3,225 E
2020	803 A	820 A	782 E	826 E	3,231 E
2019	798 A	813 A	769 A	851 A	3,231 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.48 E	\$0.49 E	\$0.40 E	\$0.59 E	\$1.95 E
2020	\$0.43 A	\$0.58 A	\$0.39 E	\$0.54 E	\$1.94 E
2019	\$0.47 A	\$0.47 A	\$0.37 A	\$0.60 A	\$1.90 A

*Quarterly figures may not add up to annual.

P/E TTM	22.4
P/E F1	22.9
PEG F1	2.1
P/S TTM	2.4

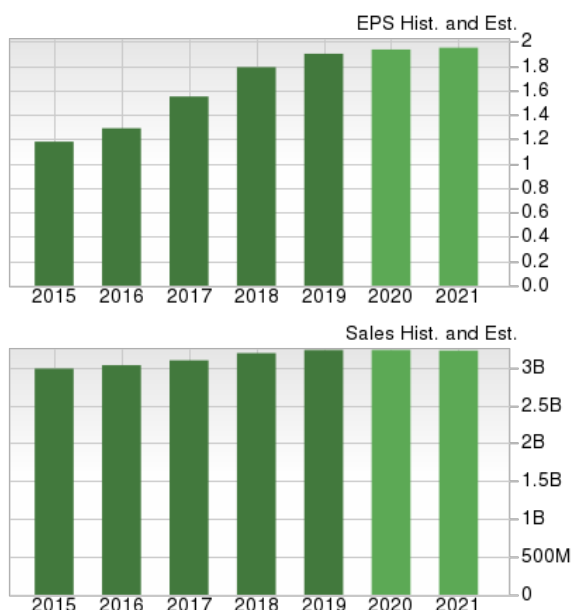
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/08/2020. The reports text is as of 09/09/2020.

Overview

Known for its transcontinental brand namely Dignity Memorial, Service Corporation International has been strengthening its funeral and cemetery businesses for a while now. Notably, the company had a market share of 15-16% in North America's death care industry in 2019. With a wide repertoire of funeral service and cemetery operations, the company remains well-positioned to take advantage of the aging Baby Boomer generation. In this context, Service Corporation's funeral service locations, cemeteries, funeral service/cemetery combination locations, crematoria and other related businesses spread across geographies are noteworthy. Additionally, the company's active acquisition efforts, including 15 funeral homes and seven cemeteries in June 2018, have been accretive.

Further, Service Corporation's cemeteries offer cemetery property interment rights, including developed lots, mausoleum spaces, lawn crypts, niches, and other cremation memorialization and interment options. Additionally, cemetery merchandise and services, which includes memorial markers and bases, graveside services, flowers and floral placement, other ancillary merchandise, as well as interments among others, are provided at Service Corporation's cemeteries.

As of December 31, 2019, Service Corporation operated 1,471 funeral service locations and 482 cemeteries across 44 states, eight provinces in Canada, the District of Columbia and Puerto Rico. Markedly, cemeteries include 290 funeral service/cemetery combination locations.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Solid Q2 Results:** Shares of Service Corporation have rallied 11% in the past three months, almost in line with the industry. The company has been gaining on increased funerals performed due to the coronavirus pandemic, which along with strong cost management aided its performance in second-quarter 2020. During the quarter, both earnings and revenues improved year over year and surpassed the Zacks Consensus Estimate. The bottom line was backed by increased gross profit stemming from greater funeral services performed in the core funeral services business on account of the pandemic, along with solid cost management. Management stated that it saw a better-than-anticipated operating performance in its funeral and cemetery operations. Increased funeral and cemetery revenues aided the top line. Core revenues in both segments increased but was partly countered by a decline in preneed sales.

The company remains committed toward pursuing strategic buyouts and building new funeral homes to generate greater returns. Further, increased funerals amid the pandemic are aiding revenues.

Management expects continued effects of the pandemic to lead to higher funeral services performed, especially in the early third quarter.

▲ **Robust Cemetery Revenues:** Revenues in the segment rose 1.6% to \$339.1 million, thanks to a jump in core revenues. Core revenues gained from higher atneed revenues, partly offset by a fall in total recognized preneed revenues. Comparable Cemetery revenues improved 1.7% year over year on the back of higher atneed revenues, which stemmed from a rise in services performed. Comparable preneed cemetery sales production grew 10.4%, thanks to productive virtual tools, increased sales incentives and greater leads from atneed services along with gradual relaxation of bans on gatherings in several states.

▲ **Focus on Expansion:** The company remains committed toward pursuing strategic buyouts for both its segments and building new funeral homes to generate greater returns. During the second quarter, the company incurred capital expenditures of \$52.6 million. These were directed toward capital enhancements at currently operating locations, development of cemetery property and expenditures for construction of new funeral service locations. These investments are touted to be accretive to the company in the near term. Management remains focused on seeking acquisition opportunities. Moreover, the company anticipates spending capital on new funeral homes and expansion opportunities to increase its footprint. In 2020, expenditures associated with capital enhancements at current locations and cemetery development are anticipated in a band of \$165-\$195 million.

In 2018, the company deployed approximately \$200 million towards acquisitions. Some notable acquisitions made by the company in the past include Alderwoods Group, Keystone North America, The Neptune Society, and Stewart Enterprises. Also, buyouts in the cemetery segment are aimed at exploiting increased opportunities to cater to Baby Boomers.

▲ **Shareholder-Friendly Moves:** Service Corporation's strong cash flow helps it undertake efficient capital allocation. The company remains focused on enhancing shareholders' value via dividend payments and share repurchases. Notably, Service Corporation's dividend rate has increased from 2.5 cents per share in 2005 to 19 cents in 2020. The company currently has a dividend payout ratio of 38.4%, dividend yield of 1.6% and free cash flow yield of 6.9%. With an annual free cash flow return on investment of 8.7%, the dividend payment is likely to be sustainable. Well, the company has a targeted dividend payout ratio of 30-40% of earnings.

Also, the company has been focused on making share buybacks. In the first half of 2020, Service Corporation repurchased 5,117,807 shares for \$210.6 million. Even after Jun 30, the company repurchased 791,744 shares and had shares worth \$75.8 million available under its buyback authorization. We note that the company had cash and cash equivalents of \$222.3 million, while its short-term debt stood at \$87.3 million as of Jun 30, 2020.

Reasons To Sell:

▼ **Stock Looks Overvalued:** Considering the price-to-earnings (P/E) ratio, Service Corporation looks overvalued when compared with the industry. The stock has a trailing 12-month P/E ratio of 23.51, which is below its high level of 27.66 scaled in a year. Meanwhile, the trailing 12-month P/E ratio for the industry and S&P 500 index is currently pegged at 17.66 and 23.5, respectively.

▼ **Elevated Costs:** Service Corporation is witnessing elevated costs, especially amid COVID-19 pandemic. During the second quarter of 2020, corporate general and administrative costs escalated \$8 million to \$37.2 million, somewhat due to a rise in incentive compensation costs, including bonuses for some front-line workers, and costs related to community outreach efforts. While the company is focused on cost-containment measures, it expects a modest increase in costs and expenses, corresponding to stay-at-home orders as well as restrictions on gatherings.

▼ **Soft Preneed Sales Amid COVID-19:** Although Service Corporation's revenues increased in the second quarter of 2020 due to increased deaths amid the pandemic, the company's preneed sales remained soft in both segments. In the Funeral segment, comparable funeral revenues slipped 1.2% year over year due to a fall in recognized preneed revenues and other revenues, stemming from a decline in preneed funeral sales production. Comparable preneed funeral sales production tumbled 27.3% due to a fall in preneed production in the non-funeral home channel as well as a decline in core funeral locations, both of which were affected by increased stay-at-home and social-distancing orders. Even in the Cemetery segment, total recognized preneed revenues dropped due to lower recognized preneed merchandise and service revenues.

Apart from this, results of the company were partly hampered by a decline in funeral average per case due to bans on big gatherings. Though the company expects to perform increased funeral services amid the pandemic, it anticipates lower average revenue per service (stemming from curbs on gatherings, together with self-quarantine measures in certain jurisdictions) to remain a headwind. Also, management said that it might start witnessing a slowdown as the spikes in death cases (related to the pandemic) in the last five months were mostly ahead of time.

▼ **Stiff Competition:** The funeral and cemetery industry is quite competitive in North America. The company competes with various locally-owned, independent operators on grounds of standard, products and pricing.

In fact, the company has faced pricing pressure in the past from independent funeral service location and cemetery operators, monument dealers, casket retailers, low-cost funeral providers and more. Also, use of alternative channels, such as e-commerce, to buy funeral related products has increased competition. Failure to keep up with the pressure may hurt the company's financial results and cash flow.

Reduced preneed sales due to increased stay-at-home and social-distancing orders amid the pandemic are a concern for Service Corporation. Also, costs are likely to remain high.

Last Earnings Report

Service Corporation Q2 Earnings Top Estimates, Rise Y/Y

Service Corporation reported second-quarter 2020 adjusted earnings of 58 cents per share, which came way ahead of the Zacks Consensus Estimate of 24 cents. Further, the bottom line jumped 23% from the year-ago quarter's reported figure on the back of increased gross profit stemming from greater funeral services performed in the core funeral services business on account of the pandemic, along with solid cost management. Management stated that it saw a better-than-anticipated operating performance in its funeral and cemetery operations. Results were somewhat offset by reduced funeral average per case. For 2020, Service Corporation envisions adjusted earnings per share of \$1.78-\$2. The company's earnings came in at \$1.90 in 2019.

Quarter Ending	06/2020
Report Date	Jul 29, 2020
Sales Surprise	15.47%
EPS Surprise	141.67%
Quarterly EPS	0.58
Annual EPS (TTM)	1.98

Total revenues of \$820 million inched up 0.9% from \$812.6 million in the year-ago quarter, backed by increased funeral and cemetery revenues. Moreover, the figure beat the consensus mark of \$710 million. Corporate general and administrative costs escalated \$8 million to \$37.2 million, while it grew \$6.4 million on excluding last year's legal expense adjustments. Apart from this, these costs increased due to a rise in incentive compensation costs, including bonuses for some front-line workers, along with costs related to community outreach efforts. The company's interest costs fell \$5.6 million to \$41.8 million in the quarter.

Segment Discussion

Consolidated **Funeral** revenues grew 0.4% to \$480.9 million on higher core revenues. Core revenues gained from a rise in atneed as well as matured preneed revenues. Further, non-funeral home revenues improved year over year, while recognized preneed revenue saw a decline of 30.2% to \$27.7 million.

Comparable funeral revenues slipped 1.2% year over year due to a fall in recognized preneed revenues and other revenues, stemming from a decline in preneed funeral sales production. These were partly compensated by a rise in core funeral revenues, which was backed by increased core funeral services performed largely due to coronavirus-led deaths. This was somewhat negated by a fall in core average revenue per service, which results from social-distancing measures that led to smaller and lesser funeral memorial services. Moreover, the core cremation rate rose 210 basis points on account of a temporary shift toward direct cremation amid the pandemic. Comparable preneed funeral sales production tumbled 27.3% due to a fall in preneed production in the non-funeral home channel as well as a decline in core funeral locations, both of which were affected by increased stay-at-home and social-distancing orders.

Comparable funeral gross profit elevated 23.4% to \$112.9 million. Also, the gross profit margin increased 480 basis points to 24%, courtesy of core business growth and pandemic-led cost-containment efforts, partly negated by a fall in lower-margin revenue channels.

Consolidated **Cemetery** revenues rose 1.6% to \$339.1 million, thanks to a jump in core revenues. Core revenues gained from higher atneed revenues, partly offset by a fall in total recognized preneed revenues stemming from lower recognized preneed merchandise and service revenues.

Comparable Cemetery revenues improved 1.7% year over year on the back of higher atneed revenues, which stemmed from a rise in services performed. This was somewhat countered by a decline in recognized preneed merchandise and service revenues. Comparable preneed cemetery sales production grew 10.4%, thanks to productive virtual tools, increased sales incentives and greater leads from atneed services along with gradual relaxation of bans on gatherings in several states.

Comparable cemetery gross profit climbed 2.4% to \$102.8 million and the respective margin expanded 10 bps to 30.3%. The upside can be attributable to higher cemetery revenues together with cost-curtailements undertaken in late March and early April due to the COVID-19 outbreak. This was partly countered by increased selling compensation-related expenses.

Other Financial Details & Outlook

The company ended the quarter with cash and cash equivalents of \$222.2 million, long-term debt of \$3,573.7 million and total equity of \$1,754.3 million. Net cash provided by operating activities amounted to \$364.3 million in the first six months of 2020 compared with \$262.9 million in the prior-year period. During the second quarter, the company incurred capital expenditures of \$52.6 million. Further, the company expects net cash from operating activities to be \$600-\$660 million, on excluding certain special items. Expenditures associated with capital enhancements at current locations and cemetery development are anticipated in a band of \$165-\$195 million for 2020.

Management expects continued effects of the pandemic to lead to higher funeral services performed, especially in the early third quarter. This is likely to be partly countered by lower average revenue per service, stemming from curbs on gatherings, together with self-quarantine measures in certain jurisdictions. Further, Service Corporation anticipates preneed sales to move somewhat in line with atneed services, partly due to family members who prefer to book cemetery properties close to their loved ones.

That said, management noted that the company might start witnessing a slowdown in funeral services as the spike in death cases (related to the pandemic) in the last five months is mostly ahead of time. While the company is focused on cost-containment measures, it expects a modest increase in costs and expenses, corresponding to stay-at-home orders as well as restrictions on gatherings.

Recent News

Service Corporation Declares Dividend – May 13, 2020

Service Corporation has approved its quarterly cash dividend of 19 cents per share. This will be payable on Jun 30, 2020 to shareholders of record as on Jun 15.

Valuation

Service Corporation's shares are down 2.9% in the year-to-date period and 3.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 6.6% and 3.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 3.1% and 1%, respectively.

The S&P 500 index is up 8% in the year-to-date period and up 17.9% in the past year.

The stock is currently trading at 22.76X forward 12-month earnings, which compares to 17.64X for the Zacks sub-industry, 20.29X for the Zacks sector and 22.83X the S&P 500 index.

Over the past five years, the stock has traded as high as 25.12X and as low as 16.39X, with a 5-year median of 21.59X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$47 price target reflects 24.16X forward 12-month earnings.

The table below shows summary valuation data for SCI

Valuation Multiples -SCI					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	22.76	17.64	20.29	22.83
	5-Year High	25.12	23.78	22.37	23.44
	5-Year Low	16.39	14.07	16.63	15.26
	5-Year Median	21.59	17.84	19.66	17.63
P/S F12M	Current	2.42	1.75	9.66	4.19
	5-Year High	2.85	2.19	11.15	4.29
	5-Year Low	1.37	1.38	8.12	3.11
	5-Year Median	2.11	1.83	9.89	3.66
EV/EBITDA F12M	Current	13.1	9.61	35.49	17.1
	5-Year High	13.56	12.26	37.49	18.75
	5-Year Low	8.92	7.42	25.79	12.92
	5-Year Median	11.2	9.35	33.84	15.65

As of 09/08/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 8% (20 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
1800 FLOWERS.COM, Inc. (FLWS)	Outperform	1
HR Block, Inc. (HRB)	Outperform	3
RentACenter, Inc. (RCII)	Outperform	2
BrightView Holdings, Inc. (BV)	Neutral	4
Carriage Services, Inc. (CSV)	Neutral	2
Hillenbrand Inc (HI)	Neutral	2
Matthews International Corporation (MATW)	Neutral	2
SP Plus Corporation (SP)	Underperform	5

The positions listed should not be deemed a recommendation to buy, hold or sell.

Industry Comparison Industry: Funeral Services				Industry Peers		
	SCI	X Industry	S&P 500	CSV	HI	MATW
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	2	2
VGM Score	B	-	-	B	B	A
Market Cap	7.80 B	1.48 B	22.91 B	385.94 M	2.26 B	706.27 M
# of Analysts	2	1	14	1	1	1
Dividend Yield	1.72%	2.26%	1.66%	1.63%	2.81%	3.72%
Value Score	B	-	-	B	C	A
Cash/Price	0.03	0.04	0.07	0.00	0.11	0.06
EV/EBITDA	12.35	13.23	12.82	11.89	14.11	16.03
PEG F1	2.06	1.53	2.90	0.93	NA	NA
P/B	4.45	1.92	3.15	1.69	2.14	1.17
P/CF	13.36	8.97	12.45	9.33	8.62	3.64
P/E F1	23.15	13.41	21.08	13.88	12.94	8.21
P/S TTM	2.41	1.15	2.43	1.32	0.98	0.47
Earnings Yield	4.36%	7.46%	4.52%	7.20%	7.73%	12.17%
Debt/Equity	2.04	1.78	0.70	1.85	1.71	1.39
Cash Flow (\$/share)	3.31	3.41	6.93	2.31	3.52	6.20
Growth Score	C	-	-	C	C	A
Historical EPS Growth (3-5 Years)	13.30%	3.53%	10.41%	-6.68%	6.39%	0.68%
Projected EPS Growth (F1/F0)	1.84%	-0.62%	-4.73%	29.17%	-4.49%	-16.92%
Current Cash Flow Growth	2.68%	-0.63%	5.22%	-4.99%	3.57%	-3.95%
Historical Cash Flow Growth (3-5 Years)	4.63%	3.82%	8.49%	0.53%	3.00%	10.03%
Current Ratio	0.63	1.30	1.35	0.98	1.62	1.87
Debt/Capital	67.07%	63.96%	42.95%	64.87%	63.06%	58.20%
Net Margin	12.50%	0.30%	10.25%	1.83%	-1.23%	-11.11%
Return on Equity	20.42%	15.87%	14.59%	10.69%	17.93%	13.81%
Sales/Assets	0.24	0.45	0.50	0.27	0.62	0.68
Projected Sales Growth (F1/F0)	0.01%	0.01%	-1.42%	12.72%	0.00%	-4.32%
Momentum Score	B	-	-	D	C	F
Daily Price Change	-2.06%	-2.45%	-1.95%	-2.84%	-3.10%	-1.78%
1-Week Price Change	-2.27%	-1.63%	-1.28%	-0.98%	-4.37%	3.28%
4-Week Price Change	-7.35%	-7.75%	-1.93%	-8.15%	-10.01%	-3.46%
12-Week Price Change	11.77%	11.18%	3.73%	10.59%	9.83%	13.98%
52-Week Price Change	-4.82%	-3.28%	-0.29%	-1.74%	2.26%	-33.17%
20-Day Average Volume (Shares)	703,051	276,309	1,798,028	67,081	369,487	183,131
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	30.74%	13.86%	3.98%	10.71%	17.00%	7.42%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	C
Momentum Score	B
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.